



Our Commitment to Diversity

workforce, workplace, and marketplace

California Public Employees' Retirement System

A Report to the Assembly Budget Subcommittee #4
Fiscal Year 2007–08

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Executive Summary

The California Public Employees' Retirement System (CalPERS) is the nation's largest public pension fund. Headquartered in Sacramento, CalPERS provides retirement and health benefit services to more than 1.6 million State, school and local public agency employees and their families and more than 2,500 public employers.

CalPERS is led by a 13-member Board of Administration, consisting of member-elected, appointed, and ex officio members. As of June 30, 2008, our membership consisted of 1,126,133 active and inactive members, and 468,898 retirees, beneficiaries, and survivors. Established by legislation in 1931, the System became operational in 1932 for State employees only. In 1939, public agencies were allowed to contract with CalPERS to provide retirement benefits for their employees. We began administering health benefits to State employees in 1962 under the Public Employees' Medical and Hospital Care Act. Local public agencies joined in our Health Program on a contract basis five years later.

CalPERS Philosophy on Diversity

As the nation's largest public pension fund, within the nation's most ethnically and culturally diverse state, we believe diversity in our workforce, workplace, and marketplace is essential to our business approach. We consider diversification fundamental to maintaining a necessary competitive advantage. That competitive advantage can only be achieved by having the broadest possible talent, experiences, and perspectives.

Our **workforce** reflects our commitment to diversity. As of June 30, 2008, based on information supplied voluntarily by employees, our workforce

closely reflects the racial and ethnic diversity of California's population. Our staff currently includes employees who are fluent in 20 languages, making CalPERS a global community.

Our **workplace** reflects our commitment to diversity. We administer an organization-wide, multifaceted diversity program through the CalPERS Diversity Outreach Program (CDOP). CDOP lays the foundation for the implementation of diversity goals set forth by federal and State regulatory bodies, the CalPERS Board of Administration, and Executive staff. CDOP leads the organization in programs to ensure that CalPERS maintains a work environment that fosters and values quality, respect, diversity, integrity, openness, communication, and accountability.

Our **marketplace** reflects our commitment to diversity. In addition to our internal focus on diversity among our workforce and in our workplace, we also work with the external community to ensure diversity among suppliers for products and services in contracting and procurement activities. In 1998, CalPERS established the CalPERS Business Connection (CBC) as an aggressive outreach tool to small businesses. CalPERS maintains a strong record and constantly strives to enhance the inclusion of Small Businesses (SB), Disabled Veteran Business Enterprises (DVBE), and new emerging California businesses as our business partners.

This report will discuss how CalPERS philosophy on diversity is woven throughout the organization in our multifaceted diversity programs and our business practices. The CalPERS Board of Administration and Executive staff set a strategic plan that charts our course on internal core values and guiding principles. The plan reaffirms our commitment to the importance of diversity as a fundamental business philosophy.

Our Workforce

Our People

The matrix below is a snapshot of our employee profiles as of June 30, 2008, based on voluntarily-supplied information.

CalPERS Employee Profiles						
Ethnicity	Male		Female		Total	
	Number	Percent	Number	Percent	Number	Percent
White	394	37.7	651	62.3	1045	51.0
African American	65	28.9	160	71.1	225	11.0
Hispanic	85	28.2	216	71.8	301	14.7
Asian	137	41.3	195	58.7	332	16.2
Filipino	27	31.8	58	68.2	85	4.2
American Indian	2	33.3	4	67.0	6	0.3
Pacific Islander	2	13.3	13	86.7	15	0.7
Other	15	39.4	23	60.5	38	1.9
Total	727	35.5	1320	64.5	2047	100.0
<i>Profiles as of June 30, 2008, based on voluntarily-supplied information.</i>						

Outreach and Education

CalPERS implements a number of strategies to seek talented and committed individuals, and to ensure that there is a constantly renewed pool of qualified applicants for positions at all levels of our program areas. Attention to diversity issues is woven into all aspects of these activities.

We have cultivated important partnerships with educational institutions that provide excellent opportunities for internships and student assistantships for several of our key business lines. We have also employed aggressive, broad-based recruitment efforts, marketing CalPERS as the “employer of choice” at job fairs and facilitating frequent and uncomplicated access to the testing process for job classes with recruitment and retention capabilities.

Here are some highlights from the past year’s recruitment activities:

October 2007

- University of California, Davis – Worked with the Office of Audit Services to target students for the Program Evaluator classification series for currently-open examinations.
- California State University, Sacramento (CSUS) – Governmental Job Fair: Coordinated an organization-wide recruitment effort targeting students for online and ongoing file examinations for positions including Staff Services Analyst, Actuarial Assistant, Actuarial Assistant Trainee, Associate Programmer Analyst, Assistant

Information Systems Analyst, and Associate Information Systems Analyst.

- Enhanced our aggressive outreach efforts and developed a recruitment brochure for organization-wide use. The theme of the brochure is *“We Believe in CalPERS. We Believe in You.”* Established a designated e-mail address to support outreach efforts.
- Partnered with the Technology Services & Support Division at the Los Rios Computer Science Industry Advisory Meeting. This group provides the faculty of the Los Rios Community College system with input regarding ways in which their curriculum can support the State’s information technology hiring needs.

November 2007

- Boomerang Program – 2007-08. Released the Boomerang Program, an online job-matching database. Boomerang allows State retirees who are interested in working as retired annuitants to enter their skills, experience, and availability online. Managers can then contact those whose talents match their needs. This provides an efficient means to place experienced workers for temporary hiring needs.
- Interview Tools Web Page – Launched online Intranet interview tools to facilitate the hiring process. The site is linked to the Human Resources Web page and provides hiring managers with easy access to forms and guidelines.

January 2008

- Developed an approach to create program-specific recruitment materials.
- Interviewed vendors to identify their employment needs for future events.

February 2008

- Met with representatives from CSUS to begin development of a college recruitment program.
- Met with vendors to identify their employment needs for inclusion in future events.
- Hosted “A Day at CalPERS,” which gave undergraduate and graduate students the opportunity to attend Board meetings and explore employment at CalPERS. Students also attended workshops hosted by investment staff from each of the asset classes.

March 2008

- Participated on a panel to discuss the employment process and current job opportunities at the Spring Career Fair hosted by CSUS.
- Educated students on the civil service process, provided information, and promoted CalPERS as a “destination employer” at the American River College Career Fair.

April 2008

- Participated in “Women Mentoring Women” CSUS – The program provides students with an opportunity to meet and network with women professionals in the business community.
- Job Talk for Sacramento County – Conducted outreach efforts to educate the public about the civil service process and attract new talent and resources to CalPERS. The Job Talk has a diverse audience, from the unemployed, to current federal and county government employees, and private industry.
- Deaf Studies Job Fair, CSUS – Conducted a presentation to students in the Deaf Studies. We shared information on potential employers for potential careers as Interpreters for the State of California.

May 2008

- ITT Technical Institute – Met with ITT administrators and explored possible methods of disseminating materials and information on career opportunities with CalPERS.
- University of California, Davis Career Fair – Staff members from the Investment Office and Recruitment conducted a successful outreach and education effort, which yielded 21 applications for analyst positions and 28 resumes for our Investment Office.
- Asian Pacific State Employees Association, Black Advocates in State Service, and the Association of California State Employees with Disabilities – Provided information regarding CalPERS job opportunities to the diverse participants attending the conference.
- The State Recruiters Roundtable (SRRT) – Representatives from various California State Departments met to discuss recruiting resources and events. To better share resources and information, the Department of Finance developed a presentation for the SRRT Web site, which informs recruiters about upcoming job fairs.
- Placer County Career Fair – Provided staff with an opportunity to outreach to the general public and to hand out information on the civil service process. Conducted a presentation on how to get a State Job.

Maintenance and Development

Maintaining a high-performance workforce committed to the needs of our increasingly diverse customer base is the cornerstone of our culture here at CalPERS. Valuing diversity requires us to ensure that our staff is empowered to contribute to the success of CalPERS. We provide our staff with ongoing and extensive training opportunities in a wide variety of skill paths to help them develop the knowledge and skills they need to become better, more fulfilled professionals, which in turn, helps us to better achieve our mission.

The CDOP staff works closely with the Human Resources Services Division (HRSD) on staff development and training issues and promotes diversity internally through marketing, training, and consultation. Diversity awareness initiatives help all staff to understand, accept, and value our differences.

In 2007-08, CDOP and HRSD staff developed and implemented the following array of diversity-related outreach and educational awareness activities.

- Launched informative new Intranet Web site to build employee awareness about diversity initiatives.
- Conducted regular Sexual Harassment Prevention Training sessions; mandatory for all managers and supervisors.
- Presented information on special topics, such as Equal Employment Opportunity, during monthly New Employee Orientations and Leadership Essentials and Development's (LEADER) supervisory training.
- Launched an e-learning module, *Preventing Sexual Harassment*, which was required training for non-supervisory staff.
- Sponsored monthly Webinars open to all staff, covering a variety of diversity-focused topics presented by The Kaleidoscope Group.

- Conducted educational sessions for managers and supervisors through the LEADER supervisory training and division management meetings on supplier diversity issues, to ensure that we meet our small and disabled veteran enterprise business goals.
- Presented comprehensive educational modules on diversity, violence in the workplace prevention, sexual harassment prevention, discrimination prevention, and reasonable accommodation policies at our “Living CalPERS Core Values: Appreciating Diversity and Preventing Harassment” (LCCV) all staff training. We also produced a video of the LCCV training session; which is available to all employees via our on-site Learning Center.
- Launched the CalPERS StepUP, an intranet e-tool using California civil service rules for staff to use to determine possible transfer positions and career ladders within our organization.
- Provided internal communiqués to support our diversity education and outreach efforts utilizing our employee newsletter, *InCalPERS*, and Intranet Web site, the Insider.

State Mandated Programs

- Conducted the 2007-08 State Personnel Board Language Survey required by the Dymally-Alatorre Bilingual Services Act.
- Submitted the 2008-2009 Annual Workforce Analysis to the State Personnel Board, pursuant to Government Code 19797.
- Reinstated the CalPERS Disability Advisory Council with employee representation from all divisions.

- In addition to the eight individuals hired through the Limited Examination and Appointment Program in the last fiscal year, we hired one additional individual.

The Future Workforce: CaliforniaALL Pipeline Project

California needs a labor pool that is constantly growing and diversifying with a population of competent, educated workers and leaders that is representative of the demographics of our State.

Over the past year, CalPERS conferred extensively with the California Public Utilities Commission, the California State Department of Insurance, and the State Bar of California. This landmark partnership conceived the goal of creating a workforce pipeline, one that would ensure a strong, constant pool of highly educated workers and leaders from the State's diverse communities.

The CaliforniaALL Pipeline Project, born of that partnership, serves an unmet need by bringing stakeholders together to communicate, connect, and share resources, ideas, and the tools needed to build complete educational pipelines. The Pipeline will identify, fund, and create opportunities to replicate programs devoted to ensuring diverse students excel along the 20-year education pipeline from preschool to career pathways in law, financial services, and technology. This unique statewide model brings the professions into collaboration with the private and public sector as well as the education system.



Our Workplace

Part of what makes CalPERS a Destination Employer is our drive to keep our workplace a positive one, free from all forms of discrimination, where everyone respects the unique qualities and cultures of all their co-workers. More importantly, this inclusive cultural workplace leverages the unique talents of all our employees, enabling CalPERS to be more efficient.

The Sacramento Area Human Resources Association recently recognized CalPERS as one of the top destination employers in Sacramento. Our biannual employee satisfaction survey also puts us at the top of public and private employers.

The CDOP staff developed, implemented, or participated in the following organization-wide and external multifaceted activities enhancing appreciation for the myriad cultures present in our community.

August 2007

- CDOP sponsored the Third Annual Cultural Diversity Day at CalPERS, celebrating the diversity of our workforce and community.

October 2007

- Attended the Society for Human Resource Management's Workplace Diversity Conference and Exposition in Philadelphia. The conference promoted the understanding of the importance of diversity in the workplace and provided an array of best practices.

March 2008

- Piloted a Brown Bag Quarterly Guest Speaker Series for employees. The inaugural speaker was Michelle Spurlock, a local American Sign Language interpreter, teacher, and deaf culture advocate, who has been interpreting and teaching in the Sacramento area for 12 years.

April 2008

- Attended the Summit on Leading Diversity which explored practical solutions for building an inclusive and productive organization
- Participated in the Johnetta B. Cole Institute's Chief Diversity Officers Forum in Atlanta, GA.
- Participated in the World Diversity Leadership - Summit Global Thought Leaders meeting in Los Angeles, CA. The forum discussed diversity and inclusion of best practices.

May 2008

- Sponsored a Disability Awareness Day event in partnership with Office of Statewide Health Planning & Development, bringing together community-based organizations that focus on increasing public awareness, and providing assistance to individuals with various disabilities.
- Participated in the State Personnel Board and Department of Rehabilitation's "Let Us Make a Change! – Design the Future" forum. The forum provided input for an Action Plan to position the State of California as a model employer of persons with disabilities.

June 2008

- Participated in the Conference Board's 2008 Annual Diversity Seminar hosted in San Diego, CA. This conference spotlights efforts to integrate diversity into business and human resource strategies and practices.
- Participated in the Annual California Association of Equal Rights Professionals Training Conference in Palm Springs, CA.



Our Marketplace

Last year, CalPERS Business Connection Program (CBC) launched a variety of new marketing and outreach tools to access larger audiences and to encourage more diversity through certified Small Business (SB) and Disabled Veteran Business Enterprise (DVBE) contract participation. To promote diversity among our business partners, we participated in a number of conferences and business expos where diversity was the dominant theme. In addition, we have assisted SB and DVBE businesses to obtain certification to conduct business with us and other State agencies.

Facilitating the growth of SBs and DVBEs also advances California's economic well-being. Small businesses employ more than half of the State's workforce. It is in our best interest to support these businesses. When the small business sector thrives, the State as a whole does as well.

Delivering Our Message

The CBC program reached an estimated 5,000 SB and DVBE vendors and other interested entities through participation in outreach events between July 1, 2007 and June 30, 2008. These events sought to increase contracting and procurement opportunities and raise levels of awareness about SB/DVBE and other targeted business types, through networking, information sharing, and relationship building. The CBC program played a key role in the following events:

August 2007

- Black Economic Council Urban Economic Conference, Oakland, CA – CBC hosted a booth and attended the small business networking luncheon. The conference focused on drawing attention to current and emerging business opportunities, urban markets and

the talents within minority communities. Staff met with various vendors and local economic development representatives to share CalPERS business opportunities.

September 2007

- San Bernardino Collaboration Conference – Outreached to potential SB and DVBE businesses to increase our level of participation in State and local contracting.

October 2007

- The Economic Alliance of the San Fernando Valley – CBC, along with the California Employment Development Department, and WorkSource Centers participated at the Job Fair. More than 2,000 job seekers, including over 400 Veterans, Reservists, and National Guard members attended.

April 2008

- DVBE Alliance's 17th Annual Keeping the Promise, Los Angeles – CBC staff hosted an exhibitor booth at this business symposium. The DVBE Alliance helps veterans become certified, create businesses, and obtain their goals. CBC participated in information sharing with hundreds of DVBE vendors.

May 2008

- Sacramento Metropolitan Chamber of Commerce, Metro Expo Collaboration Conference – CBC staff shared information and networked one-on-one with hundreds of SB/DVBE vendors. We provided insights on how SB and DVBE firms can effectively compete for CalPERS contracting opportunities.

June 2008

- Turning Point Urban Business Summit, Los Angeles – Staff hosted a booth and attended a networking luncheon. The Summit focused on providing information about CalPERS business opportunities to a broad range of diverse businesses.

September 2008

- New Connection IV Disabled Veterans Business Enterprise (DVBE) Symposium, Los Angeles – Staff attended a professional services symposium and networking event dedicated to Disabled Veteran Business Enterprises that was hosted by the California Public Utilities Commission. The event included presentations on improving and preparing marketing strategies and best practices that can change the current paradigm for DVBE outreach.

Building Diversity, Driving Success

CBC's outreach efforts are varied and widespread. Internally, we focused on educating employees about the value and benefit of purchasing from SB and DVBE businesses. A key initiative designed to encourage and promote diversity with our internal partners is to help staff find qualified vendors to fill their product or services need and provide training.

Taking the Initiative

- CBC's staff liaison trained internal procurement staff, new employees, managers and supervisors on the CBC program, and shared CalPERS SB/DVBE goals and how employees are part of the solution.
- Presented the value of purchasing products and services from SBs and DVBEs to division management and staff through monthly management and/or staff meetings and other forums.

- Built a partnership and collaborated with the CalPERS Office of Support Services (OSSD) to increase our organization's SB/DVBE participation.

Supplier Diversity Compliance

We report our SB/DVBE progress to the California State Department of General Services (DGS) every six months. Other reports are required annually. CBC staff gathers, processes and analyzes the data while coordinating the completion of this organization-wide endeavor.

- Reported Small Business and Disabled Veteran Business Enterprise contract and procurement participation to the DGS in August 2007 and February 2008.
- Reported on FY 2006-07 contracts issued through the Small Business and Disabled Veteran Business Enterprise Option to DGS (August 2007).
- Reported on FY 2006-07 Ethnicity, Race and Gender contract participation to DGS (August 2007).
- Reported on FY 2006-07 consulting services to DGS (Provided by OSSD, August 2007).

CBC staff works to ensure the organization remains in compliance with State laws, regulations and other mandates pertaining to the SB/DVBE program.

- Resolved SB 1436 compliance issue (liaison vs. advocate) and added SB Liaison to external Web site.
- Collaborated with OSSD to develop DVBE incentive program in accordance with SB 115 (in progress).

Partnerships and Resources

We strongly support local, state, and national minority business organizations through ongoing outreach and relationship building. Some of our valued partners include:

- California State Bar
- American Bar Association
- California Pension Fund Investments
- Rocky Mountain Legal Diversity Summit
- En Banc
- Association of Asian American Investment Managers
- Wingspread VIII
- Minority Corporate Counsel Association
- New America Alliance
- National Asian Pacific American Bar Association
- Council on Legal Education Opportunity
- New York State Bar Association – Pipeline Diversity
- National Association of Securities Professionals
- Plan Sponsor & Minority Manager Consortium
- Turning Point Urban Business
- The Robert Toigo Foundation
- Linkages
- The Conference Board
- California Association of Equal Rights Association
- State Disability Advisory Council
- Civil Rights Officer's Council
- National Association of State Retirement Administrators
- Sacramento Metropolitan Chamber of Commerce
- American Leadership Forum
- Sacramento Asian Pacific Chamber of Commerce
- Sacramento Hispanic Chamber of Commerce
- Asian Pacific State Employee's Association
- Black Advocates in State Service
- CaliforniaALL Pipeline Project



Investing in Diversity: The CalPERS Investment Office

CalPERS is the first State agency and first large pension fund to promote and coordinate diversity programs for external money managers. The Investment Office focuses on maintaining a competitive edge in the investment industry by taking advantage of the skills and ideas of all industry participants. Achieving diversity in the area of investments contributes to the overall success of the pension fund while supporting and creating new opportunities in underserved markets. This investment philosophy is not limited to one asset class or program; it is woven into every facet of the Investment Office.

CalPERS utilizes several policies and investment programs in its drive to promote diversification among all its investments. This proactive approach to investing has provided opportunities and resources for the investment industry as a whole. CalPERS decision to focus on diverse investment opportunities is driven in part by the changing global markets and the changing demographics in the world around us.

CalPERS has taken a disciplined and comprehensive approach to cultivating value from diverse investment opportunities in all asset classes and in corporate board governance. These efforts have provided successful performance and returns within all aspects of the CalPERS portfolio.

This report covers the July 1, 2007–June 30, 2008 fiscal year and highlights key indicators in each of the investment programs that are used to evaluate our progress toward a more diverse representation among the individuals and firms with whom we do business.

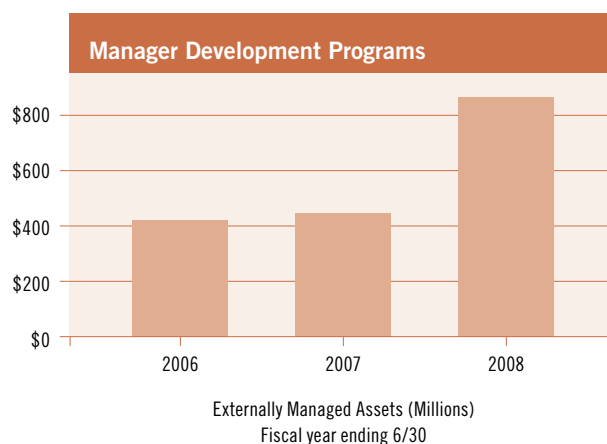
Private Equity (Alternative Investment Management – AIM)

- The AIM Program has experienced substantial growth in the past 12 months. The amount invested with General Partners (GPs) with over 50 percent minority, women, disabled veteran (MWDV) ownership has increased 35.7 percent since June 30, 2007, from \$1.4 billion to \$1.9 billion, and the amount invested in diverse GPs of up to 50 percent MWDV ownership has increased 22.0 percent in the same period, from \$5.9 billion to \$7.2 billion.
- From October 2007 through February 2008, members of AIM participated in the Emerging Domestic Market Advisory Group which is an advisory group of investors, financial professionals, and economic and community developers that craft strategies and models to increase private investment opportunities in emerging domestic markets.
- AIM's California Initiative, launched in 2001, provides capital to minority or women-owned or managed companies, companies that employ workers from low or moderate income areas, and companies that cannot access traditional sources of capital within California. In the 12 months ending on June 30, 2008, the amount invested in GPs with over 50 percent MWDV ownership has increased 28 percent from \$75 million to \$96 million, and the amount invested in GPs with at least one MWDV has increased 51.8 percent, from \$357 million to \$542 million.

AIM Diversity Highlight	2006	2007	2008	Increase '07 to '08
Diverse GP's with 50% or more MWDV Ownership	38	43	69	61%
Dollars Committed (BILLIONS)	\$ 1.6	\$ 2.6	\$ 3.4	44%
Dollars Invested (BILLIONS)	\$ 1.2	\$ 1.4	\$ 1.9	36%
Diverse GP's with up to 50% MWDV Ownership	106	112	162	45%
Dollars Committed (BILLIONS)	\$ 7.2	\$ 9.5	\$11.5	21%
Dollars Invested (BILLIONS)	\$ 4.9	\$ 5.9	\$ 7.2	22%
<i>Data as of 6/30/2008. Numbers rounded for table.</i>				
California Initiative	2006	2007	2008	Increase '07 to '08
Diverse GP's with 50% or more MWDV Ownership	5	5	6	20%
Dollars Committed (MILLIONS)	\$ 95	\$ 95	\$180	90%
Dollars Invested (MILLIONS)	\$ 63	\$ 75	\$ 96	28%
Diverse GP's with up to 50% MWDV Ownership	7	8	24	200%
Dollars Committed (MILLIONS)	\$395	\$975	\$990	2%
Dollars Invested (MILLIONS)	\$262	\$357	\$542	52%
<i>Data as of 6/30/2008. Numbers rounded for table.</i>				

Public Equity

- In 2007, CalPERS global public equity program continued its strong commitment to working with diverse brokers, managers, and strategic partners.
- For the year ending on June 30, 2008, 26 MWDV brokers earned \$4.7 million in commissions.
- CalPERS Manager Development program (MDP) boosts investment in small and emerging public equity firms by taking an ownership position in the firms to provide venture capital and investment funds to foster their development. The staff continually promotes, monitors, and supports the MDP firms and the individual managers. Approximately \$766 million in assets is managed by four MWDV-owned firms.



- In 2007, CalPERS established an Emerging Manager Fund-of-Funds program. Three of the four managers selected for the program are MWDV firms. The potential allocation to this program is \$650 million with two managers already being funded for \$150 million each; one is minority-owned and the other is woman-minority owned.
- In 2007, CalPERS launched a Fund of Emerging Hedge Funds program with three women-owned managers being allocated a total of \$450 million in assets. The Fund of Emerging Hedge Funds has a combined total of 57 constituent funds of which 16 are managed by underrepresented managers. These 16 managers represent 26 percent of the total assets under management or \$115 million of the \$437 million program. Six of these underrepresented managers were obtained from the diversity database. These six managers manage just over 9 percent of the total fund, approximately \$40 million.
- During the July 1, 2007 through June 30, 2008 period, staff continued to meet with emerging brokers, including 16 MWDV owned firms, to educate them on CalPERS Global Equity program and internal trading procedures. Additionally, CalPERS provided our existing external managers with information on new emerging brokers.
- During the fiscal year, staff continued to work to enhance the selection and evaluation process for brokers. CalPERS is changing the current broker selection model to a merit based system. Changing the model will allow CalPERS to maintain a competitive edge and take advantage of the skills and ideas of a larger potential pool of investment industry professionals.

Public Equity	2006	2007	2008	Change '07 to '08
MWDV Owned Brokerage Firms	20	20	26	30%
Dollars Earned in Commissions (MILLIONS)	\$ 2.6	\$ 1.2	\$ 4.7	292%
Percentage of Total Commissions Paid to MWDV Brokers	6.7%	2.0%	6.0%	197%
<i>Data as of 6/30/2008. Numbers rounded for table.</i>				
Public Equity – Manager Development Programs (MDP I & II)	2006	2007	2008	Change '07 to '08
MWDV Owned MDP I Firms	3	3	2	-33% ¹
Dollars of Externally Managed Assets (MILLIONS)	\$484	\$387	\$368	-5%
MWDV Owned MDP II Firms	—	2	2	0%
Dollars of Externally Managed Assets (MILLIONS)	—	\$108	\$398	269%
<i>Data as of 6/30/2008. Numbers rounded for table.</i>				
¹ One firm was removed from the program due to consistent underperformance.				

Public Equity – Emerging Manager Fund of Funds Program	2006	2007	2008	Change '07 to '08
Capital Allocation – Total Dollars Allocated (MILLIONS)	—	\$650	\$650	0%
Capital Allocation – Total Dollars Funded (MILLIONS)	—	\$0	\$300	300%
Approved MWDV Managers	—	3	3	0%
<i>Data as of 6/30/2008. Numbers rounded for table. Program initiated in 2007.</i>				
Public Equity – Emerging Fund of Hedge Funds Program	2006	2007	2008	Change '07 to '08
Capital Allocation – Total Dollars Allocated (MILLIONS)	—	\$350	\$450	29%
Capital Allocation – Total Dollars Funded (MILLIONS)	—	\$0	\$450	450%
Approved MWDV Managers	—	3	3	0%
<i>Data as of 6/30/2008. Numbers rounded for table. Program initiated in 2007.</i>				

Fixed Income

The Fixed Income program continues to seek out opportunities to increase transactions with emerging dealers, including MWDV owned dealers, for new issuance trades. During the period, staff met with emerging dealers, including five MWDV dealers, to establish relationships.

- During the July 1, 2007 through June 30, 2008 period, the number of MWDV dealers has increased from 20 to 21. The value of transactions processed has decreased from \$5.6 billion to \$3.9 billion as a result of market place conditions, but the percentage of transactions completed with MWDV dealers increased in the same period from 1.4 percent to 2.4 percent.
- CalPERS continued to maintain investments in pools of Community Reinvestment Act (CRA) home and multi-family mortgages – investments providing capital to underserved markets in California. As of June 30, 2008, CalPERS held \$237.5 million in CRA mortgages (a 6.5 percent increase over last year's amount).
- The Fixed Income program, with the assistance of Mosaic Advisors Investments, Inc. has facilitated the inclusion of emerging brokers onto the MarketAxess Platform. By doing so, CalPERS is enhancing opportunities for traditionally underserved brokers.

Fixed Income	2006	2007	2008	Change '07 to '08
MWDV Dealers	13	20	21	5%
Value of Transactions Processed (BILLIONS)	\$ 5.5	\$ 5.6	\$ 3.9	-31% ¹
Percentage of Transactions done with MWDV Dealers	0.7%	1.4%	2.4%	67%
Community Redevelopment Act (CRA) Holdings (MILLIONS)	\$ 258	\$223	\$238	7%

Data as of 6/30/2008. Numbers rounded for table.

¹The value of transactions processed is a function of trade volume, and the volume of trades processed during the reporting period declined.

Real Estate

- CalPERS Real Estate program is continually seeking out and reviewing a variety of diverse business opportunities, which include new, small, emerging, women-owned and ethnic minority managers to provide equal access to a broad and diverse universe of investment managers. No additional managers have been added in the past 12 months but as of June 30, 2008, CalPERS Real Estate earmarked an additional \$322.5 million in new commitments to existing managers of diverse ownership.
- As of March 31, 2008, CalPERS Real Estate program allocated \$3.4 billion to twelve external investment partners of diverse ownership. This increased the equity invested with managers of diverse ownership from \$1.1 billion to \$1.3 billion which represents 5.8 percent of the total net asset value of all real estate investments in the portfolio.
- The California Urban Real Estate (CURE) program was established in 2001 to provide for primarily California-focused urban real estate investment in low-to-moderate income housing, urban infill, community redevelopment, and rehabilitation of core properties. As of March 31, 2008, CalPERS committed \$1.5 billion to the CURE program or 43.4 percent of the total commitments to partnerships of diverse owners.

Real Estate	2006	2007	2008	Increase '07 to '08
Total Real Estate Partners with 50% or more MWDV	8	13	12	-8% ¹
Dollars Committed with MWDV Partners (BILLIONS)	\$ 2.7	\$ 3.1	\$ 3.4	11%
Dollars Invested with MWDV Partners (BILLIONS)	\$ 0.7	\$ 1.1	\$ 1.3	22%
Percentage of Assets Invested by MWDV Partners	4.4%	5.5%	5.8%	.3%
<i>Data as of 6/30/2008. Numbers rounded for table.</i>				
Real Estate – CURE Program	2006	2007	2008	Increase '07 to '08
Dollars Committed to MWDV Partners (BILLIONS)	\$ 1.28	\$ 1.15	\$1.48	28%
Dollars Invested with MWDV Partners (BILLIONS)	\$ 574	\$ 494	\$ 916	85%
<i>Data as of 6/30/2008. Numbers rounded for table.</i>				
¹ The CalPERS Real Estate program closed one Opportunistic Fund per the terms of the Limited Partnership Agreement.				

Corporate Governance

CalPERS believes that board diversity has a positive impact on the operating and investment potential of a business, and fosters a boardroom culture that promotes sustainable collaboration, innovation and accountability. A corporate board should establish and disclose the mix of director attributes, experiences, diverse perspectives and skill sets that are most appropriate for the company. As the global economy becomes much more diverse, successfully competing within the evolving economy requires adaptation and recognition of changing wealth and influence demographics. Diversity can lead to greater creativity, more vigorous deliberation, and more integrity of processes, all of which are desirable traits and are consistent with principles of good corporate governance.

The CalPERS Board of Administration adopted an amendment to its Global Principles of Accountable Corporate Governance supporting corporate board diversity in the selection of Board, Director, and CEO

evaluation. The Principles have been translated into Chinese, Japanese, German, French, and Spanish. These translated documents can be viewed and downloaded from the CalPERS Web site.

CalPERS proactively impacts corporate behavior with the application of the Principles in the compilation of the annual Focus List, the monitoring of the companies on the Focus List, and company engagement. These tools allow CalPERS to identify companies with significant long-term underperformance and diversity-related issues.

CalPERS impacts a much wider group of companies, raising their awareness of corporate board diversity principles. Other actions to help increase the general marketplace's awareness could include development of position statements, publication of statements, proxy voting, participation within corporate governance organizations and engagement with state and national legislation. CalPERS will communicate with the proxy advisory firms to discuss CalPERS corporate governance policies and Principles.

CalPERS will also review and compare CalPERS policies and Principles with those of the proxy advisory firms to identify policy position statements that are similar and dissimilar. This offers the most significant opportunity to advance diversity among corporate boards.

Internal and External Outreach

During 2007-08, the Investment Office staff continued numerous internal and external outreach activities and initiatives. CalPERS is a member of a vast community, and sharing resources and expertise with interested parties strengthens the organization, and helps us to mirror the demographic make up of the world today. CalPERS supports diversity not only in the investment industry, but partners and supports many other efforts that enhance the diversity outreach efforts.

Robert Toigo Foundation

The Robert Toigo Foundation was founded 18 years ago to encourage exceptional minority students to consider finance not only as a rewarding career, but also as an opportunity to be the future leaders in the global economy. Its goal is to create a self-sustaining structure that leverages finance as a vehicle to promote positive social change.

The CalPERS Investment Office currently has 239 employees. With a view towards increasing the diversity of our workforce, job announcements are directed toward the widest possible audience. Internal recruitment efforts targeting university students and other interested parties continue. CalPERS has partnered with the Toigo Foundation to improve our outreach efforts and broaden our success in reaching communities.

CalPERS is a long-term supporter and partner of Toigo, an organization created to increase diversity in financial services by awarding scholarships and providing mentors to Master of Business Administration students of color preparing to enter the profession. Toigo provides a model that is an important piece of the pipeline.

CalPERS has a strong relationship with Toigo, reinforced by our involvement with the Foundation's leadership. The Chair of the CalPERS Investment Committee is a member of Toigo's Board of Directors and CalPERS Interim Chief Investment Officer is a Toigo Advisory Board member.

Golden Capital Network

The Golden Capital Network stimulates wealth, jobs, entrepreneurship and early stage investing by educating, showcasing and connecting promising entrepreneurs and companies with an active network of angel and venture capital investors.

Our Investment Office staff continues to participate as ongoing members of the Golden Capital Network's Advisory Board and regularly serve as speakers at its conferences, such as the Central Valley 100 Event held in June 2008 at University of California, Davis. The Network focuses on providing attractive venture capital to underserved geographic regions. CalPERS participation in this Network continues to strengthen the external outreach efforts for diversity.

Conferences and Outreach

Members of the CalPERS investment staff frequently participate and speak at outreach conferences designed to enhance diversity within the financial industry and the public pension fund community.

From July 2007 through June 2008, CalPERS participated in numerous investment conferences. In addition, CalPERS hosts conferences at its Sacramento headquarters and in the surrounding area. These outreach efforts provide many opportunities to emerging managers in underserved regions, and CalPERS plans to continue to host and support these efforts.

Diversity Database

CalPERS requires a robust and comprehensive command of the information available regarding the creativity, knowledge, and skills available in the investment industry. As a founding participant in the establishment of the diversity database, CalPERS sought to create a platform that stored essential data, but more importantly, allowed for capabilities facilitating more in-depth research, analysis, and networking. The diversity database bridges the existing information, knowledge and collaboration gaps in the emerging manager space and provides all of CalPERS investment staff access to an extensive resource.

CalPERS, working with the California State Teachers Retirement System, created the first-of-a-kind database of emerging managers and financial service providers. Phase One of the database contains information on more than 1000 money managers, private equity funds, private equity fund-of-funds, private real estate investments firms, real estate investment trusts (REITs), hedge funds, hedge fund-of-funds, consultants, emerging manager program managers, broker dealers, and research firms.

Staff will leverage this information to diversify ideas and people in their investment portfolios, and the investment portfolios of other institutional investors. In September 2008, we plan to expand the database's functionality to include customizable reporting tools, manager evaluation and analysis, manager rankings, due diligence reports, and community based tools to facilitate knowledge sharing.

The database is available through www.calpers.ca.gov and is accessible at the Altura Capital Web site.

Weaving the organization-wide consciousness of commitment to diversity goals into all aspects of the Investment Office has enabled CalPERS to produce consistent long term and sustainable returns. CalPERS strives to conceive and implement ever more innovative approaches to uncovering untapped talent in the investment arena and encourages managers and partners to embrace these investment strategies. We look for diversity opportunities across the entire portfolio and factor diversity into the investment decision-making process.

Diversity Consultants

The CalPERS Investment Office maintains a pool of diversity consultants who assist with various research projects and provide advice on diversity-related issues. The members of this pool are: Altura Capital Group LLC, Ivy Planning Group LLC, Mosaic Investment Advisors, Inc., and RG & Associates.



Our Voice in the Government

The Office of Governmental Affairs (GOVA) serves as the voice of CalPERS in the Legislature, and as a key liaison with other entities in State government.

GOVA also works with a contract lobbyist in Washington, D.C., monitoring Congress and the Federal Government. As such, GOVA helps coordinate the flow of information about CalPERS outward and information about new laws, policies and regulations inward to the board, staff, members, and stakeholders.

Beginning in 2007, GOVA and the Office of Public Affairs (PAOF) launched an innovative pilot program called California Connects: CalPERS in Your Community. This ambassadorial program aimed to improve State Legislators' personal understanding of and relationships with CalPERS.

In practice, this program entailed meeting with legislators and their key staff in their district offices, often having a CalPERS member, who is a resident of the district, accompany GOVA and PAOF staff. The centerpiece of these meetings is to provide information on the benefits and economic contribution of CalPERS to their districts.

Members were chosen initially based on a number of criteria; number of CalPERS members, amount of CalPERS investments in real estate, stock, and other economic engines, positions of leadership in the Legislature, and policy interests.

In 2007, CalPERS met with:

Mark James DeSaulnier, Assembly District 11
June 22, 2007

Mary Hayashi, Assembly District 18
Sandre Swanson, Assembly District 16
April 20, 2007

Tom Berryhill, Assembly District 25
April 13, 2007

The CalPERS Board of Administration was pleased with the results of this pilot, and asked staff to continue to develop the program, and to place an increased emphasis on connecting with legislators representing diverse communities, as well as a balance of meetings with Democrats and Republicans, Senators and Assembly Members, and in districts throughout the State.

In the coming year, staff will be focusing on meeting with caucuses and organizations from underrepresented communities. Plans are underway to work with the Asian Pacific Islander Capitol Association to design a series of workshops about CalPERS services and benefits for the staff caucuses. In addition, after the new Legislature is sworn in, staff will be contacting the members to request group meetings, with the goal of scheduling follow-up individual meetings in district offices. The aim of these meetings is predominantly the same as the general CalPERS Connects district meetings, with the added hope of increasing outreach in communities of color, and among other underrepresented groups in our society.



Planning for the Future

In the next fiscal year, CalPERS will continue to broaden its diversity efforts, including:

- CalPERS Think Big – Buy Small. Buy Green. Vendor Fair – This event will focus on increasing supplier diversity through Certified Small Businesses while also increasing awareness of Green products, vendors, and mindset. It will support two critically important California initiatives. First, it encourages employees to recycle and purchase items manufactured from recycled products. Second, it will help to improve California's economy by supporting the development of small businesses.
- CalPERS will host a conference entitled "Women in Investments – In Search of New Talent, Experience, and Perspectives." The primary goal of the conference is to advance diversity within CalPERS investment programs by providing learning and networking opportunities.
- In November 2008, CalPERS hosted "A Day at CalPERS," which allowed undergraduate and graduate students to explore employment opportunities at CalPERS. Students attended workshops hosted by investment staff from each of the asset classes. This presented an opportunity for the Investment Office staff to share their initiatives and discuss employment criteria in an effort to recruit new talent.

- Throughout the year, Global Equity anticipates further expansion of the investments made in emerging managers. As an opportunistic program, MDP II will make efforts to reach out to a number of new firms in the coming months. The new program for emerging fund-of-funds will also be expanding with the allocation of additional assets.

Each of the asset classes will be engaging in various activities in the coming year to expand participation in their programs and promote access to the opportunities available in CalPERS investment programs.



Appendices

CalPERS Strategic Goals

Our Strategic Plan provides our organization with a blueprint for meeting the retirement and health benefits needs of more than 1.6 million members and participating employers. It guides our business relationships and interactions. Our business philosophy is straightforward. We are customer-focused, and our decision-making process is guided by value and quality. Below each strategic goal are statements of intent. These offer key insight into the way CalPERS approaches its business, and they highlight the values that are important to the Board of Administration, CalPERS staff, members, and employers.

Enterprise

- I. Exercise global leadership to ensure the sustainability of CalPERS pension and health benefit systems.
- II. Foster a work environment that values quality, respect, diversity, integrity, openness, communication, and accountability.
- III. Sustain a high performance work culture utilizing staff development, technology, and innovative leadership and management strategies.
- IV. Design and develop education and communication initiatives to ensure broad member and stakeholder understanding of CalPERS value.

Pension

- V. Provide sustainable pension benefit products and services responsive to and valued by members, employers, and stakeholders.

- VI. Administer pension benefit services in a customer oriented and cost effective manner.
- VII. Enable and educate members and employers to make informed decisions leading to a predictable and secure retirement future.

Asset And Liability Management

- VIII. Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.
- IX. Achieve long-term, sustainable, risk adjusted returns.

Health

- X. Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers.
- XI. Promote the ability of members and employers to make informed decisions resulting in improved lifestyle choices and health outcomes.
- XII. Engage and influence the healthcare marketplace to provide medical care that optimizes quality, access, and cost.

Press Release

June 12, 2008

Contact:

Monika Mantilla
President and CEO
Altura Capital Group
(212) 248-0532

Altura Capital launches the first Global Information, Research, Data and Networking Platform - Tool tracks data and research of Emerging and Diverse managers for mid and large, private and public, institutional investors.

Platform resolves serious needs for data, research, knowledge and collaborative tools in the developing managers space.

New York, NY – Altura Capital Group, a New York-based firm specialized in providing Institutional research and product solutions in the emerging manager category, has teamed up with a group of large institutional investors to develop a robust and comprehensive information, research and data platform with a networking component, that will bridge existing access to information and research gaps in the emerging and diverse asset manager space. Founding subscribers include the Comptroller of the City of New York, the California State Teachers' Retirement System CalSTRS, the California Public Employees' Retirement System CalPERS and the Illinois State Board of Investments ISBI. The subscription-based platform will be available to institutional investors around the globe by August of 2008. The nationwide and global network will provide institutional investors and small and emerging financial services firms the ability to collaborate and access research and information in an unprecedented manner. Market intelligence, best practices, programs and information sharing will be centralized in one comprehensive Platform.

In 2006, CalSTRS and CalPERS commissioned Altura to build a first-of-its kind database of emerging managers and other financial service providers. The purpose of the database was to satisfy a need to help identify and trace new and emerging investment talent, promote transparency and access to capital, and to form a better understanding of emerging investment firms. A comprehensive directory was published in January of 2007 and a new one will be released in August of 2008. The 2007 report is available at CalSTRS, CalPERS and Altura's websites. The report includes a wide variety of asset classes.

According to Ms. Anne Stausboll, CalPERS Interim CIO: "The Altura Emerging Manager Platform is an effective and user friendly tool that allows Institutional Investors to have at their finger tips the emerging manager world. We are proud to be one of the Founding Subscribers of this platform. Our history with emerging managers is long and full of success stories of long-term value creation. We congratulate Altura on the launching of this product and are proud to be one of the early Founding Subscribers of the Platform".

Mr. Chris Ailman, CIO at CalSTRS commented: "Since 2005 when we teamed up with CalPERS to give Altura the mandate to develop a database of emerging managers, we wanted to develop a tool that would be utilized by the institutional market to gain understanding and broad visibility to the emerging manager category. Emerging managers hold the promise of the future, and the potential alpha of undiscovered talent. The results of CalSTRS

Emerging Manager Program demonstrate the innovation and initiative that's housed in small nimble money managers. Altura itself is an emerging player in the space, bringing to the market innovative tools to better understand and evaluate emerging managers. We are excited to be an EC II Founding Subscriber".

New York City Comptroller William C. Thompson, Jr., custodian and investment advisor to the five New York City Pension Funds, noted: "I am proud to become a founding subscriber of the Altura EC II Platform. With a comprehensive research platform and a state of the art database of emerging minority and women managers, our systems will be even better poised to invest in this asset class and further promote the success of women and minority managers".

Mr. Bill Atwood, Executive Director at Illinois State Board of Investments, ISBI, added: "At ISBI we are very committed to expanding our utilization of emerging managers, so that we can tap into new, small and promising investment firms. That is why we are utilizing Altura's EC II Emerging Manager Platform"

Ms. Monika Mantilla, President and CEO of Altura Capital commented: "At Altura we are thrilled to launch this Emerging Manager Information Platform and to put it in the hands of every Institutional Investor in the globe who is seeking to enhance their alpha generation opportunities by tapping into a vibrant and strong source of investment talent: the talent that exists in small, entrepreneurial firms. Our tools will also allow many Institutional Investors to seek for diverse managers, including women and minority owned firms. We invite every emerging firm in the world that is proud of their ability to perform and add value to register on our database by visiting us at www.alturacap.com."

September 15, 2008



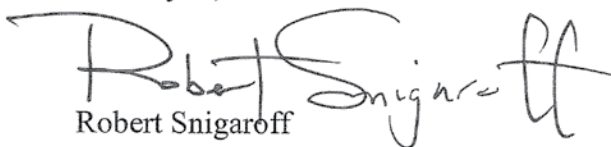
To Whom it May Concern,

I am writing this letter to express my sincere gratitude towards, and express my support for, California Public Employees Retirement System's Manager Development Program. As the President and co-founder of Denali Advisors, LLC an independent investment manager based in San Diego, and a registered minority-owned business, I can attest that the program has been of great benefit to our business. This program has allowed us to in turn use minority owned vendors for services such as brokerage, systems, and business operations that we would otherwise be unable to have hired. Furthermore, Denali prides itself on trying to make a positive impact on our community, and the Manager Development has been instrumental in allowing us the resources to do so.

Not only was the Manager Development Program a benefit to Denali Advisors, I have found it to have had a positive impact on the emerging managers marketplace and the overall asset management market as well. Increasing diversity in the market promotes competition among managers, which ultimately leads to better products for clients. Academic research, including our own forthcoming research, provides empirical evidence that smaller managers have a performance advantage in the market, and the Manager Development Program has certainly helped foster a more diverse and competitive emerging market both within California and in the overall marketplace.

CalPERS' work promoting a diverse supplier base is commendable, and all of us at Denali Advisors offer our full support for them, and their Manager Development Program. If you have any questions, or would like further information from me, please feel free to contact me.

Thank you,


Robert Snigaroff

President and CIO

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September 19, 2008

J. LaShae Howell
Investment Officer, Global Equity
CalPERS
400 P Street, Lincoln Plaza
Sacramento, CA 95814

Re: CalPERS Diversity Report – Letter of Recommendation

Dear Ms. Howell,

LM Capital Group, LLC was selected in April, 2002 by the California Public Employees' Retirement System (CalPERS) and Strategic Investment Group to join the innovative Manager Development Program (MDP). LM Capital was the first fixed income investment manager to participate in the CalPERS' MDP.


The CalPERS' Manager Development Program has been extremely beneficial to the marketing of LM Capital Group. A successful completion of a thorough due diligence review by CalPERS served as a "Good Housekeeping" seal of approval for the consultant and plan sponsor community; and addressed concerns regarding a firm's resources and future viability.

By joining the Manager Development Program, an emerging firm has the ability to address these concerns. Additionally, the program is beneficial because of the considerable weight and respect that CalPERS' name carries in the institutional investment community. With CalPERS as a minority owner and client, other public funds have more confidence and comfort when considering an investment with an emerging firm.

Although it is hard to quantify the effect of the Manager Development Program upon LM Capital Group's success, it is fair to say that qualitatively, our participation gave us added credibility.

We value our client relationship with CalPERS and strongly support the continuation of the Manager Development Program.

Regards,



John Chalker
Managing Director



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Printed on 30% PCW recycled paper using soy-based inks.